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PASS TREASURY, FEDERAL RESERVE, CEA

E.O. 11652: N/A
TAGS: EFIN ECON OECD
SUBJ: EPC TEMPORARY WORKING PARTY: MEETING OF
JUNE 8 (ON SMALLER OECD COUNTRIES' BALANCE OF
PAYMENTS)

REF: A) OECD 5945, B) OECD 6221, C) CPE/TWP(77)2 AND
ADDENDA, D) CPE/TWP (77)3

1. SUMMARY. TWP AGREED ON OUTLINE OF CHAIRMAN'S
REPORT ON SMALLER OECD DEFICIT COUNTRIES WHICH IS TO
BE PRESENTED TO JUNE 14-15 MEETING OF ECONOMIC POLICY
COMMITTEE (AND WHICH IS LIKELY TO BE TAKEN INTO ACCOUNT
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IN DOCUMENTATION PREPARED FOR THE OECD MINISTERIAL
MEETING). MAIN POINTS ARE AS FOLLOWS:

- (A) PORTUGAL, TURKEY AND SPAIN HAVE CONSIDERABLE
BALANCE OF PAYMENTS DIFFICULTIES, AND FIRST TWO
COUNTRIES ARE ALREADY EXPERIENCING FINANCING
DIFFICULTIES;
- (B) OTHER SMALLER OECD COUNTRIES IN DEFICIT

INCLUDE FOUR (DENMARK, FINLAND, GREECE, NEW ZEALAND) WHOSE DEFICITS ARE ALSO CONSIDERED EXCESSIVE, BUT FOR WHOM NO FINANCING DIFFICULTIES ARE FORESEEN THIS YEAR OR IN IDENTIFIABLE FUTURE;
(C) MORE RAPID EXPANSION OF DOMESTIC DEMAND THAN IN LARGER OECE COUNTRIES HAS BEEN PRIMARY FACTOR IN EXCESSIVE SHARE OF COLLECTIVE OECD DEFICIT BORNE BY SMALLER COUNTRIES;
(D) THESE SMALLER COUNTRIES FALL INTO VARIOUS CATEGORIES IN TERMS OF PRESENCE OR ABSENCE OF DEMAND RESTRAINT PROGRAMS;
(E) SOME OF THE COUNTRIES EXAMINED FEEL THAT FASTER GENRAL GROWTH IN OECD AREA IS NEEDED TO ALLEVIATE THEIR PROBLEMS.
FOR NEXT MEETING, DELS WILL CONSIDER REVISED METHOD OF CONDUCTING PERIODIC REVIEWS. END SUMMARY.

2. EPC'S TEMPORARY WORKING PARTY (TWP) MET JUNE 8 TO CONDUCT REVIEW OF SMALLER OECD COUNTRIES' BALANCE OF PAYMENTS POSITION AND FINANCING/DEBT SITUATION. THIS WAS THIRD IN SERIES OF REVIEWS INITIATED LAST YEAR AS REFLECTION OF GROWING OECD CONCERN WITH LARGE, PERSISTENT COLLECTIVE DEFICIT OF GROUP OF SMALLER COUNTRIES AND POSSIBLE FINANCING DIFFICULTIES ASSOCIATED WITH GROWING DEBT. REVIEW, ABLY CONDUCTED BY BELGIAN CHAIRMAN VAN YPERSELE (WITH FAY OF SECRETARIAT SUBBING FOR HIM IN AFTERNOON SESSION), WENT OVER NOW LARGELY FAMILIAR GROUND (SEE REFS A AND B), WITH SOME NEW NUMBERS AND NUANCES EMERGING.
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3. DIFFERENCES ON RELATIVE DEMAND MANAGEMENT RESPONSIBILITIES OF WEAKER AND STRONGER COUNTRIES PROVIDED SOME FIREWORKS. CALL FOR GREATER GENERAL OECD GROWTH (I.E. MORE STIMULUS BY STRONGEST COUNTRIES) WAS LOUDEST FROM SWEDISH AND DANISH REPS. ENDORSEMENT OF THIS VIEW BY GREECE, SPAIN AND TURKEY SEEMED SOMEWHAT RITUALISTIC IN NATURE (AND NOT EXPLICITLY VOICED BY SEVERAL OTHER WEAKER COUNTRIES WHO IN DESCRIBING THEIR PROBLEMS CONCENTRATED ON FACTORS OTHER THAN INSUFFICIENT EXTERNAL DEMAND). IT IS INTERESTING TO NOTE THAT CAMPAINGN FOR HIGHER GROWTH IN EXPORT MARKETS WAS LED BY TWO COUNTRIES WHICH ARE AMONG BEST PLACED OF DEFICIT COUNTRIES TO FINANCE THEIR DEFICITS.

4. CHAIRMAN WILL REPORT TO JUNE 14-15 EPC MEETING ON TWP REVIEW. TWP AGREED THAT HIS REPORT WOULD IDENTIFY GROUP OF THREE COUNTRIES (PORTUGAL, TURKEY AND SPAIN), NOT NECESSARILY BY NAME, WHOSE CURRENT ACCOUNT POSITIONS

ARE PRECARIOUS (SPANISH REP SOMEWHAT RELUCTANT TO SEE SPAIN'S PROBLEMS EQUATED WITH THOSE OF PORTUGAL AND TURKEY). TWO OF THESE (PORTUGAL AND TURKEY) ARE ALREADY EXPERIENCING FINANCING DIFFICULTIES. FOR SMALLER COUNTRIES IN GENERAL, HE WILL POINT TO MAJOR EXPLANATORY ROLE ENTAILED BY HIGHER GROWTH OF DOMESTIC DEMAND RELATIVE TO THAT IN LARGER COUNTRIES. HE WILL EMPHASIZE NEED FOR ADJUSTMENT BY MOST OF SMALLER DEFICIT COUNTRIES, AS, AT PRESENT LEVELS, THEIR DEFICITS ARE NOT SUSTAINABLE. STILL WITHOUT IDENTIFYING COUNTRIES BY NAME, HE WOULD POINT TO STABILIZATION PROGRAMS BY A NUMBER OF THEM---INTENDED BY OTHERS--AND NOTE THAT ELECTIONS IN CERTAIN COUNTRIES MAY HAVE BEEN PRECLUDING DEMAND RESTRAINT.

5. CHAIRMAN IS LIKELY TO INCLUDE FURTHER REFINEMENT OF THIS SUMMING UP IN HIS REPORT TO EPC ON BASIS OF AFTER-LIMITED OFFICIAL USE

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NOON'S DISCUSSION WHICH WILL BE REPORTED TO HIM BY FAY. FAY FELT THAT FOUR COUNTRIES (PRESUMABLY DENMARK, FINLAND, GREECE AND NEW ZEALAND) COULD BE SAID TO HAVE A QUESTION MARK BESIDE THEIR NAMES BUT WERE IN A LESS PRECARIOUS POSITION THAN THE FIRST GROUP CITED. IN ANY CASE, THESE COUNTRIES FACED NO FINANCING DIFFICULTIES IN 1977 AND MIGHT ALSO BE ABLE TO BE RELAXED ABOUT 1978. ANOTHER TWO (PRESUMABLY, AUSTRIA AND SWEDEN) HAD INDICATED NO CONCERN WITH THEIR SITUATION PROVIDED THEIR CURRENT DEFICITS SHRINK IN ACCORDANCE WITH THEIR EXPECTATIONS. TWO REMAINING (AUSTRALIA AND NORWAY) HAD NO CLEARLY IDENTIFIED PROBLEMS. (ICELAND WAS NOT REPRESENTED AND NOT INCLUDED IN SUMMING-UP).

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6. PARAS 7 TO 17 BELOW PROVIDE DETAIL ON INDIVIDUAL COUNTRIES' PRESENTATIONS; THEY SHOULD BE READ IN CONJUNCTION WITH REFS C AND D. PART A OF EACH PARAGRAPH CONVEYS RESPONSE TO QUESTIONS POSED IN NOTES ON AGENDA, CPE/TWP/A(77)2, AND IS KEYED TO THOSE QUESTIONS WHICH ARE AS FOLLOWS:

(1) DO YOU AGREE WITH THE SECRETARIAT'S CURRENT BALANCE ESTIMATE FOR 1976 AND FORECAST FOR 1977 (TABLE 1 OF CPE/TWP((77)3)?

(2) WHAT IS THE EXPECTED TREND OF THE CURRENT BALANCE IN 1978 AND 1979?

(3) WHAT ARE THE BROAD MEASURES BEING TAKEN TO REDUCE THE DEFICIT? TO WHAT EXTENT IS THERE RELIANCE ON INCREASED EXPORTS IN 1977 AND 1978?

(4) HOW WAS THE DEFICIT FINANCED IN 1976 (COMPENSATORY BORROWING, OTHER LONG-TERM CAPITAL, SHORT-TERM CAPITAL AND OFFICIAL RESERVES OR BORROWING?)

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(5) WHAT FINANCING IS ENVISAGED IN 1977?

(6) WHAT IS THE ANNUAL DEBT REPAYMENT SCHEDULE IN 1977-1980?

(7) IS THE RATE OF INCREASE OF EXTERNAL DEBT ACCEPTABLE-RELATIVE TO THE SIZE OF THE ACCUMULATED DEBT, THE COUNTRY'S EXPORT EARNING CAPACITY, RESERVES, ETC.?

PART B OF THESE PARAGRAPHS CONVEYS POINTS OF INTEREST ARISING IN DISCUSSION FOLLOWING EACH PRESENTATION.

7. PORTUGAL.

A. RESPONSE TO ADVANCE QUESTIONS:

(1) DEFICIT CLOSER TO \$1 BILLION IN 1977 THAN \$1.2 BILLION EXPECTED BY SECRETARIAT.

(2) NO OFFICIAL ESTIMATE. DRAFT MEDIUM-TERM PLAN FORESEES DEFICITS OF (\$ BILLIONS) 0.8 IN 1978, 0.9 IN 1979 AND 1.0 IN 1980.

(3) POLICY PACKAGE, INCLUDING DEVALUATION, WAS TAKEN IN FEBRUARY. MEDIUM-TERM PLAN FORESEES 13 PERCENT ANNUAL GROWTH IN EXPORTS.

(4) (\$ MILLION) 750 FROM BIS AND CENTRAL BANKS, 106 FROM IMF, 120-130 RESERVE USE, 150 IN CAPITAL INFLOWS.

(5) (\$ MILLIONS) 215 FROM BIS AND CENTRAL BANKS, 48 FROM IMF, 300 IN STANDBY FROM US (ABOUT 130 DRAWN, SOME OF WHICH SINCE REPAID), UNSPECIFIED AMOUNTS FROM EIB AND OTHER LENDERS FOR INDUSTRIAL PROGRAM.

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(6) PER WORLD BANK REPORT, ABOUT \$90 MILLION PER YEAR. THIS EXCLUDES AMORTIZATION OF GOLD COLLATERAL LOANS, 3/4 OF WHICH DUE THE NEXT 5 YEARS, WHICH WOULD RAISE DEBT SERVICE TO 25 PERCENT OF EXPORTS.

(7) GOP VERY CONCERNED.

B. DISCUSSION.

ABSENCE OF INTENTION TO REDUCE CURRENT ACCOUNT DEFICIT (REFLECTED BY FIGURES IN MEDIUM-TERM PLAN) AND MAGNITUDE OF DEBT DUE IN SHORT-TERM WERE MAIN TWO CONCERNS. SECRETARIAT POINTED OUT THAT LARGER THAN "NORMAL" DEFICIT FOR SEVERAL YEARS IS UNDERSTANDABLE IN VIEW OF DEVELOPMENTS IN PORTUGAL. CHAIRMAN, SUPPORTED BY US REP (KORP, GENTLY CHIDED PORTUGUESE REP (UNINSTRUCTED MEMBER OF PERMANENT DELEGATION FOR ABSENCE OF BETTER INFORMATION.

8. SPAIN.

A. RESPONSE TO ADVANCE QUESTIONS (AMOUNTS IN \$ BILLIONS):

(1) 1976 DEFICIT WAS 4.2, NOT 4.4, AND COMPOSED OF 7.3 TRADE DEFICIT OFFSET BY SURPLUSES OF 1.9 ON SERVICES AND 1.2 ON TRANSFERS. 1977 DEFICIT WILL, AT 3.7-3.8, BE SMALLER THAN SECRETARIAT'S ESTIMATE (3.9); 6.9-7.0 TRADE DEFICIT, SURPLUSES OF 2.1 ON SERVICES AND 1.1 ON TRANSFERS--RECENT TRENDS SUGGEST POSSIBLE SMALLER TRADE DEFICIT.

(2) CANNOT SAY IN VIEW OF POLITICAL AND ECONOMIC
TRANSITION.

(3) MEASURES TAKEN ARE KNOWN. RECENT TREND OF EXPORTS
IS GOOD (20.4 PERCENT RATE OF INCREASE IN FIRST 4
MONTHS OF 1977).
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(4) PREVIOUSLY REPORTED (REF B).

(5) RISE IN PUBLIC INDEBTEDNESS EXPECTED TO BE 2.1
RATHER THAN 2.4, OF WHICH 0.9 ALREADY TAKEN UP (MORE
RAPIDLY THAN NEEDED).

(6) 1977: 1.7, 1978: 1.6, 1979: 2.0, 1980: 1.7.

(7) DEBT INCREASE ACCEPTABLE IN VIEW OF RESERVE LEVEL
AND ABILITY TO ROLL OVER PREVIOUS DEBT (HOWEVER, GOS
REP POINTED TO PERSISTENCE OF LARGE OVERALL OECD
DEFICIT AND TO NON-IMPLEMENTATION OF FINANCIAL SUPPORT
FUND, AND SAID THIS SHOULD BE DISCUSSED AT EPC).

B. DISCUSSION.

GOS REP CONCEDED THAT PESETA IS OVERVALUED BUT IMPLIED
THAT REALIGNMENT WOULD NOT NECESSARILY TAKE PLACE, AND
CERTAINLY NOT OUTSIDE CONTEXT OF GENERAL AUSTERITY
PROGRAM, WHICH HE FELT ALL POLITICAL PARTIES IN A
POSITION TO WIN ELECTION WOULD SUPPORT. POSSIBLE IMF
STANDBY WOULD BE MATTER FOR NEW GOVERNMENT.

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C O R R E C T E D C O P Y --CORR PARA TEN

9. TURKEY.

A. RESPONSE TO ADVANCE QUESTIONS (\$ MILLIONS):

(1) 1977 DEFICIT SHOULD BE 2,200 PER GOT PLAN RATHER THAN SECRETARIAT'S 2,400. OPTIMISTIC THAT EXPORTS WILL PICK UP. HIGH STOCK OF EXPORTABLE PRODUCTS.

(2) N/A IN VIEW OF ELECTION AND NON-FINALIZATION OF FOURTH 5-YEAR PLAN.

(3) MEASURES WILL BE IN LINE WITH FOURTH 5-YEAR PLAN: HIGH RELIANCE ON EXPORTS.

(4) AND (5)

	1976	1977
DIRECT INESTMENT	27	50
PROJECT CREDITS	490	850
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IMPORTS WITH WAIVER	136	150
PROGRAM CREDIT	6	7
IMF	150	120
CONVERTIBLE LIRA DEPOSITS (NET)	750	340
BANK LOANS (DRESDNER)	150	200
MEDIUM-TERM EURO-MARKET	150	500
OPEC AND OTHERS	550	100
RESERVE USE	119	0
LESS DEBT REPAYMENT	-120	-242

(6) PRINCIPAL INTEREST

1977	242	257
1978	330	251
1979	410	229
1980	221	200

(7) PRESENT LEVEL ACCEPTABLE-- NOT WANTED BUT MANDATED BY EXTERNAL POSITION. GOVERNMENT HAS ACTED TO DISCOURGE

BORROWING AT SHORT-TERM.

B. DISCUSSION.

GOT REP (SENGUIN: CENTRAL BANK) INSISTED (TO DOUBTFUL LISTENERS) THAT CURRENT ACCOUNT DEFICIT UNAVOIDABLE AND EVEN DESIRABLE IN VIEW OF TURKISH DEVELOPMENT NEEDS, WHILE CONCEDING THAT DEMAND TOO HIGH, AND ARGUED THAT CONSEQUENT DEBT ACCUMULATION IS ACCEPTABLE. FORESEEN DROP OF NET INFLOWS INTO CONVERTIBLE LIRA ACCOUNTS REFLECTS GOT GOAL OF REDUCING SCOPE FOR VOLATILE OUT-FLOWS (AVERAGE MATURITY OF NEW INFLOWS IS UP FROM 13 MONTHS TO 18 MONTHS.) RECOURSE TO IMF IN 1977 WILL PRESUMABLY BE TO FIRST AND SECOND TRANCHE DRAWINGS, BUT "EMERGENCY" FACILITY IS ALSO POSSIBLTY (PRESUMABLY REFERENCE TO WITTEVEEN FACILITY). CONSIDERABLE DOUBT EXPRESSED BY TWP ON ENVISIONED PROSPECTS FOR EURO-MARKET BORROWINGS.

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10. NEW ZEALAND.

A. RESPONSE TO ADVANCE QUESTIONS:

(1) AGREE.

(2) CONTINUED LARGE DEFICITS IN ABSENCE OF IMPROVEMENT IN TERMS OF TRADE.

(3) DEMAND RESTRAINT AND RESTRUCTURING. RELIANCE ON EXPORTS, BUT PROSPECTS DIM IN SHORT-RUN BECAUSE OF STAGNATING AGRICULTURAL PRODUCTION, WEAKNESS OF FOREIGN DEMAND AND TRADE BARRIERS.

(4) IN REFDOCS.

(5) NO OFFICIAL ESTIMATE. LOWER TOTAL NEEDS SINCE DEFICIT ON CASH BASIS IS SMALLER THAN ON BALANCE OF PAYMENTS BASIS. LARGE ROLE FOR OFFICIAL FINANCING. POLICY IS TO KEEP RESERVE LEVEL STEADY.

(6) FISCAL YEAR \$MILLIONS

77-78	170
78-79	200
79-80	680
80-81	370

LARGE FIGURE FOR FY 80 REPRESENTS COINCIDENCE OF MATURING LOANS, NOT TREND.

(7) MANAGEABLE IN SHORT RUN (NEXT FEW YEARS), BUT NOT IN LONGER RUN. RESTRUCTURING NEEDS TO BE COMPLETED.

B. DISCUSSION.

CHANGE FROM PREVIOUSLY FORESEEN SUBSTANTIAL REDUCTION
OF DEFICIT IN 1977 CHIEFLY REFLECTS INFLUENCE AT THAT
TIME ON GNZ OF MORE FAVORABLE OUTLOOK FOR BALANCE "ON
CASH BASIS". BUT SHORTFALL IN EXPORT VOLUME, AND HIGHER
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IMPORTS AND INVISIBLE PAYMENTS ALSO CONTRIBUTED. NO
RECOURSE TO IMF FORESEEN THIS YEAR. INCREASE IN COM-
MODITY PRICES HAS NOT HELPED MUCH.

11. GREECE.

A. RESPONSE TO PREPARED QUESTIONS:

(1) DIFFERENCES AS FOLLOWS (\$ MILLIONS):

	GREECE	SECRETARIAT
1975	1088	999
1976	1091	1005
1977	1100	1250

(2) \$1.1-1.2 BILLION IN 1978, ASSUMING REASONABLE
LEVEL OF WORLD DEMAND (THIS LEVEL DEEMED FINANCEABLE
BY DEPOSITS OF GREEKS RESIDING ABROAD AND REAL ESTATE
PURCHASES).

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(3) POLICY AIMS ARE TO RESTRUCTURE IMPORTS, MAINTAIN
COMPETITIVE EXCHANGE RATE, FOLLOW LESS EXPANSIONARY
MONETARY POLICIES, REDUCE GROWTH OF CONSUMPTION AND,
IN LONGER TERMS, INCREASE ENERGY PRODUCTION AND AGRICULTURAL
OUTPUT (PARTICULARLY MEAT).

(4)	CATEGORY	\$MILLIONS
	DEPOSITS OF GREEKS ABROAD AND REAL ESTATE PURCHASES BY THEM	850
	BORROWING, MAINLY PRIVATE SECTOR	220
	DIRECT INVESTMENT	30
	IMF (SDR)	57
	PUBLIC BORROWING	SMALL

(5) LITTLE CHANGE FROM ABOVE (TREND FOR DEPOSITS AND
REAL ESTATE IN FIRST FOUR MONTHS IS AT \$850 MILLION
ANNUAL RATE).

(6) \$ MILLIONS
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1977: 480
1978: 385
1979: 479
1980: 382

(7) DEBT LEVEL IS ACCEPTABLE AS IT HAS NOT BEEN GROWING.
SERVICING NOT A BURDEN.

B. DISCUSSION.

GREEK REP WAS NOT SURE STRONG INFLOW OF GREEK NON-RESIDENTS' DEPOSITS WOULD CONTINUE BEYOND 1977 AND WAS
UNABLE TO ESTIMATE PORTION ACCOUNTED FOR BY NON-RECURRING
SWITCHING OF SAVINGS FROM FOREIGN ACCOUNTS. HE STRESSED
GOG INTENT TO MAINTAIN INTEREST RATE DIFFERENTIAL. IN
ABSENCE OF CONTINUED INFLOWS VIA THIS CHANNEL, WHICH
HAVE MANY CHARACTERISTICS OF CURRENT ACCOUNT RECEIPTS,
GREECE WOULD STILL BE WILLING TO RUN CURRENT ACCOUNT
DEFICIT OF CURRENT MAGNITUDE IF IMPORTS SERVED TO
INCREASE PRODUCTIVE INVESTMENT.

12. FINALAND. (SEE ADDENDUM TO REF C)

A. RESPONSES TO PREPARED QUESTIONS:

(1) 1977 DEFICIT OF \$400 MILLION COMPARED TO \$200 MILLION BY SECRETARIAT.

(2) CONTINUED IMPROVEMENT ON TRADE OFFSET SOMEWHAT BY DETERIORATION ON INVISIBLES.

(3) HAVE PURSUED SEVERE DEMAND RESTRAINT. RELYING HEAVILY ON EXPORTS BUT LOOKING TOWARD FASTER EXPANSION IN STRONGER COUNTRIES.

(4) FINANCED ALMOST ENTIRELY VIA LONG-TERM CAPITAL INFLOWS.

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(5) SAME IN 1977. RESERVES MAY RISE.

(6) PEAK AMORTIZATION IN 1980 OF \$900 MILLION.

(7) RATIO OF NET DEBT TO GDP IS 21 PERCENT, WILL DECLINE TO 20 PERCENT BY END 1977 AND CONTINUE TO DECLINE THEREAFTER. COST OF ADJUSTMENT HAS BEEN SEVERE.

B. DISCUSSION.

ENLARGEMENT OF CASH DEPOSIT SCHEME WAS AIMED AT DISCOURAGING SHORT-TERM CAPITAL INFLOWS, NOT IMPORTS. SOME SPECIAL FACTORS IN DRAMATIC RISE IN EXPORTS EARLIER THIS YEAR.

13. DENMARK.

A. RESPONSE TO ADVANCE QUESTIONS:

(1) EXPECT 1977 DEFICIT OF \$1.4-1.5 BILLION RATHER THAN SECRETARIAT'S 1.6 FIGURE. REFLECTS SLOWER GROWTH OF DOMESTIC DEMAND AND TAKES INTO ACCOUNT REVISED OUTLOOK FOR EXPORTS TO SWEDEN.

(2) REDUCTION OF SEVERAL HUNDRED MILLION DOLLARS-- THIS IS SMALLER IMPROVEMENT THAN PREVIOUSLY SEEN AND REFLECTS DIMINISHED PROSPECTS FOR EXPORT LED GROWTH.

(3) IF NECESSARY, WILL TAKE RESTRICTIVE MEASURES IN AUTUMN.

(4) PROVIDED IN REF C.

(5) WILL CONTINUE TO RELY ON COMPENSATORY BORROWING,

WHICH HAS ALREADY BEEN TAKEN UP.

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(6) PUBLIC DEBT REPAYMENTS \$MILLIONS

1977	250
1978	320
1979	400
1980	475

(7) RATE OF INCREASE OF DEBT NOT ACCEPTABLE.

B. DISCUSSION.

DANISH REP (LOHSE), STATING THAT DEMAND RESTRAINT WOULD BE DIFFICULT, LEFT IMPLICATION THAT "RESTRICTIVE MEASURES" REFERRED TO IN (3) ABOVE EXTENDED TO RESTRICTIONS ON IMPORTS.

14. SWEDEN.

A. RESPONSE TO PREPARED QUESTIONS:

(1) OFFICIAL GOS FORECAST FOR 1977 DEFICIT IS \$2.8 BILLION COMPARED TO 2.1 SEEN BY SECRETARIAT. SWEDISH REP (LUND) FELT DEFICIT WOULD BE CLOSER TO \$3 BILLION.

(2) DEFICIT WILL DECLINE TO \$1 1/2-2 BILLION IN 1978/79.

(3) SWEDEN HAS "PAID BILL" FOR MISJUDGING TREND OF COMMODITY PRICES IN 1973 AND DURATION OF OECD RECESSION; SHE IS NOW FOLLOWING "VERY CAUTIOUS" POLICIES AND ATTEMPTING SOME RESTRUCTURING.

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(4) PREVIOUSLY REPORTED (REF B).

(5) AROUND \$4 BILLION. PUBLIC SECTOR BORROWING WILL
PLAY PROMINENT ROLE FOR FIRST TIME IN DECADES, BUT OVER
50 PERCENT WILL BE ACCOUNTED FOR BY PRIVATE SECTOR,
BANKS AND LOCAL AUTHORITIES.

B. DISCUSSION: NONE.

15. AUSTRALIA.

A. RESPONSE TO ADVANCE QUESTIONS:

(1) 1977 DEFICIT MIGHT BE AS MUCH AS \$.5 BILLION
HIGHER THAN \$2 BILLION SECRETARIAT ESTIMATE, PARTLY
REFLECTING BUNCHING OF J-CURVE EFFECTS OF DEVALUATION.

(2) DECLINING THEREAFTER.

(3) CONTINUING RESTRICTIVE MEASURES WHICH WERE NOT
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TAKEN EARLY ENOUGH. DEVALUATION IN LATE 1976. LOOKING
FOR EXPORTS BUT NOT RELYING ON THEM.

(4) PROVIDED IN REF .

(5) NO OFFICIAL BORROWING. SOME PRIVATE FLOWS ACROSS
EXCHANGE MARKETS, SOME IN FORM OF NON-REPATRIATION OF
PROFITS.

(6) NO FIGURES, BUT RATHER SMALL.

(7) DEBT SITUATION NOT A CONCERN. AUSTRALIA HAS
STRUCTURAL CURRENT ACCOUNT DEFICIT, AND EXCESS OF
PRESENT LEVEL REFLECTS DOMESTIC IMBALANCE.

B. DISCUSSION: NONE.

16. AUSTRIA.

A. RESPONSE TO ADVANCE QUESTIONS:

(1) OFFICIAL FORECAST FOR 1977 DEFICIT IS \$1.4 BILLION
BUT MAY BE BETWEEN THAT AND \$1.9 BILLION SEEN BY
SECRETARIAT.

(2) 1977 LEVEL WILL BE PEAK.

(3) SLOWER CREDIT EXPANSION. EXPORTS NOT A PROBLEM.

(4) LARGE POSITIVE ERRORS AND OMISSIONS COMPLICATE
ANALYSIS. ALSO, DROP IN RESERVES PARTLY REFLECTS SWAP
WITH BANKS.

(5) SOME FURTHER DRAIN ON RESERVES.

(6) PRINCIPAL AND INTEREST
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

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(BILLIONS OF SHILLINGS)

1976 13

1977 16.5

1979 PEAK

(7) DEBT ACCUMULATION ACCEPTABLE FOR TIME BEING, BUT IT
IS TIME TO MOVE TOWARD EQUILIBRIUM.

B. DISCUSSION: NONE.

17. NORWAY.

A. RESPONSE TO ADVANCE QUESTIONS:

(1) AGREE.

(2) DEFICITS DECLINING, SURPLUS AROUND 1981.

(3) NO SPECIAL MEASURES.

(4) IN REF C (MAINLY LONG-TERM).

(5) IN REVISED NATIONAL BUDGET.

(6) LITTLE DUE IN THIS PERIOD.

(7) QUITE MANAGEABLE BUT WOULD HAVE PREFERRED MORE
STRENGTH IN TRADITIONAL EXPORT SECTORS.

B. DISCUSSIONS: NONE.

18. NEXT MEETING AND ITS FORMAT.

FAY ASKED DELS TO THINK ABOUT MANNER IN WHICH FUTURE MEETINGS SHOULD BE CONDUCTED, SUGGESTING POSSIBILITY OF CONCENTRATING ON 2 OF 3 COUNTRIES (WHICH MIGHT CHANGE FOR EACH MEETING). HE FORESAW NEXT MEETING BEFORE FALL EPC (I.E., EARLY NOVEMBER) AND SAID THERE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

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WOULD BE ANOTHER STATISTICAL QUERY IN ADVANCE.
KATZ

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMITTEE MEETINGS, DEBT REPAYMENTS, BALANCE OF PAYMENTS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 10-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS17113
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770207-1116
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770669/aaaaciev.tel
Line Count: 780
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d61c667f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 15
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 OECD PARIS 5945, 77 OECD PARIS 6221
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2195233
Secure: OPEN
Status: NATIVE
Subject: EPC TEMPORARY WORKING PARTY: MEETING OF JUNE 8 (ON SMALLER OECD COUNTRIES' BALANCE OF PAYMENTS)
TAGS: EFIN, ECON, OECD
To: STATE USEEC
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d61c667f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
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